

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3801-10
BILL NO.: HCS for SS for SCS for SB 885
SUBJECT: Health Care; Insurance - Medical; State Departments
TYPE: Original
DATE: May 4, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
All funds	(Over \$100,000)	(Over \$100,000)	(Over \$100,000)
Total Estimated Net Effect on <u>All</u> State Funds	(OVER \$100,000)	(OVER \$100,000)	(OVER \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Joint Committee on Public Employees Retirement**, the **State Highway Employees and Patrol Retirement System**, the **Department of Transportation**, the **Department of Public Safety - Missouri State Highway Patrol**, and the **Department of Health** assume this proposal would not fiscally impact their agencies.

Office of Administration (COA) officials state there may be a fiscal impact from this proposal. However, COA states any potential fiscal impact from this proposal would be determined through the actuarial report from the Missouri Consolidated Health Care Plan in the rate they certify to COA.

Missouri State Employees Retirement System officials state the proposal would not affect their system.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state there may be a fiscal impact as a result of the provision addressing state employees without HMO health coverage but are unable to determine the fiscal impact until the plan offer is complete. HCP believes the fiscal impact would exceed \$100,000.

HCP states that adjusting the fiscal year poses several possible results: 1) The plans currently know what HCP's appropriations request is prior to providing bids on HCP's RFP. Prior knowledge of HCP's appropriations could have an inflationary impact on the bids. Consequently, changing the fiscal year would reverse this order and could provide some savings with the bids; 2) In the standard market, the plans prefer to bid 2-3 months prior to the coverage effective date because they can more accurately predict the cost of doing business. HCP currently requires the plans to provide a bid eight months prior to the effective date. Adjusting the fiscal year to an October 1 start date would add approximately four months to this process. Determining the cost of medical care and inflation one-year in advance could result in the plans overstating their bids to protect themselves from inflation and underbidding the contract; and, 3) HCP is currently negotiating with bidders for CY2001. Adjusting to the new fiscal year would require HCP to negotiate a nine month extension (1/02 to 09/02) of these contracts before the end of this 2000 year.

Determining the total fiscal impact is very difficult. There could be some savings from changing the order of the bid process and the appropriation process. However, there could be additional costs due to the extended bidding time frame. If costs are higher than any corresponding savings, HCP estimates every one percent increase in premium results in a fiscal impact of \$1,700,516.

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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ALL FUNDS

Costs - All Funds

Increased state contributions	<u>(Over \$100,000)</u>	<u>(Over \$100,000)</u>	<u>(Over \$100,000)</u>
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ESTIMATED NET EFFECT ON ALL FUNDS

	<u>(OVER \$100,000)</u>	<u>(OVER \$100,000)</u>	<u>(OVER \$100,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would require the Missouri Consolidated Health Care Plan to develop and submit to the legislature by September 1, 2000 a plan to offer to state employees located in counties in which HMO coverage is not available, a medical benefits plan for calendar year 2001. The medical benefits plan would provide coverage identical to HMO benefits coverage at a cost not to exceed the average cost to employees in counties where such coverage is available. The proposal would reduce continued coverage due to death or disability from two years to six months under a separate group or individual policy.

The proposal recommends that health care provider contracts be based upon a fiscal year beginning October 1 rather than a calendar year.

The proposal would increase the board members of the plan from eleven to thirteen.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

MPW:LR:OD:005 (9-94)

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Missouri Consolidated Health Care Plan
Joint Committee on Public Employees Retirement
Office of Administration
MOSERS
State Highway Employees and Patrol Retirement System
Department of Transportation
Department of Public Safety
Missouri State Highway Patrol
Department of Health

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is fluid and cursive, with the first name "Jeanne" being more prominent than the last name "Jarrett".

Jeanne Jarrett, CPA
Director
May 4, 2000